

ORDER NO. 3835

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
Priority Mail Contract 274 (MC2017-51)
Negotiated Service Agreement

Docket No. CP2017-77

ORDER APPROVING AMENDMENT TO A
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued March 29, 2017)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 274, with Portions Filed Under Seal, March 27, 2017 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3701, the Commission approved the Priority Mail Contract 274 negotiated service agreement (Existing Agreement).² On March 27, 2017, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment replaces Section I.C and I.E of the Existing Agreement, permitting the customer to count certain non-contract Priority Mail packages towards the customer's volume commitment. See Notice, Attachment A at 1.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

² See Docket Nos. MC2017-51 and CP2017-77, Order Adding Priority Mail Contract 274 to the Competitive Product List, December 27, 2016 (Order No. 3701).

Other considerations. The Postal Service states that the Amendment shall become effective two days after the date that the Commission completes its review. Notice at 1. The Amendment does not change the expiration date of the Existing Agreement.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves Priority Mail Contract 274, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary